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THE WHITE HOUSE
WASHINGTON
March 5, 1975

*Dist
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Ag Issues*

MEMORANDUM FOR: THE VICE PRESIDENT
FROM: JIM CANNON
SUBJECT: Meeting with Secretary Butz

The following subjects may come up at your meeting this afternoon with Secretary Butz:

FARM POLICY

- Administration opposes Congressional proposals raising target (floor) prices and adjusting loan levels for wheat, feed grains and cotton. Supporters say increases are needed as production incentives.
- Administration supports a proposal to establish a U. S. grain reserve in the private sector, not as a government owned operation.
- Administration proposes moving rice, peanuts and extra long staple cotton into market-oriented programs similar to current feed grain, wheat and cotton programs.

FOOD ASSISTANCE PROGRAM REFORM

- Over 42 million Americans are now receiving food subsidies through Department of Agriculture programs.
- Costs account for 60 per cent of Agriculture Department's total spending.
- President's budget proposal for block grant approach to funding of child nutrition program is facing strong opposition.



Food
HAWAII
12:45 PM
4/21/75

Food

4/22/75

John L. Linn

Ford expects all on water

Agree on

1) no problem would get
used up' then how
feed comes people

2) I mean four products,
just then water
also do not now
problem sub for water

3) per capita in

73 & 74 less

than in '60 -

in 1985 - unless

when better water

than if the four years

81 - 100 up from

of found



3) Low production

4) Food security

140 minutes for

June - 25 -

36 countries

include are food exporters

OPB - East 77% Dec 72

Mc Ken - (are a
union of donors for

dev
developing

for countries

to find
out
how
well
it out

11 of

OPB
OMC

other countries



\$1 - a year for 3 yrs

feeding for inc from
production in poor
countries

? Whether possible to
establish two entities

Answer - worth ?

additional feeding w food den ag

~~1st~~
1st 175 of These 200 m -
v.t. against as These
funded
funded
costs should be



— Unless JS will say
we'll do our share,
it won't fly.

— need \$200 ^{up} yearly -
from U.S.
for ^{our} food
production

—
has proven 50% of food
that will be sent home
~~as~~ ^{has} ~~\$234~~ that for food but as

—
Not this country needs
more badly than coordinated
portion of last economy
policy

Butz -

Hanna — 306 — 74 24
476 — 74 25

Tachyphyes acutatus

650-670 74 26

\$200



Q — John — we stand ready
to do as per
Memorandum —

F — P: maintain our work
prior to our contracts

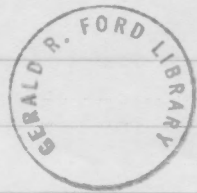
at New Line on
B. Holmes, &
at Frank Rogers

A Think it's possible in
the Congress

~~R~~ John - always important
ACD

~~Wants~~ ~~APK~~
~~June 25~~ but much

VP (Republican in 1957)



(C.A.O. . .
Lawrence.

236

issue
diplomacy }



THE WHITE HOUSE

WASHINGTON

April 29, 1975

MEETING ON FARM VETO MESSAGE

Tuesday, April 29, 1975

The Cabinet Room

5:00 p.m.

From: Jim Cannon



I. PURPOSE

To review and obtain your concurrence on a response to a new development related to your Farm Veto Message.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

You recently reviewed Bill Seidman's option paper of April 24 on Farm Bill Alternatives (Tab A) and decided to veto the bill and not do anything about the loan levels.

~~Unfortunately,~~ Yesterday we learned that there is a misconception on the Hill that you are going to couple your veto with some kind of action on loan levels.

Max Friedersdorf and Secretary Butz report that there would be a serious risk that a veto would be overridden if a veto message makes no mention of loan levels. Max's latest vote count to sustain a veto shows:

52	Democrats
103	Republicans
<u>155</u>	Total

We might pick up as many as 18 votes that are now uncommitted; but we could lose a substantial number of the Democrats if the caucus makes a strong effort to override.

In view of this new development, Max Friedersdorf, Earl Butz, Bill Seidman, Jack Marsh, Jim Lynn and I met this morning to discuss this problem. We came up with an approach that can help but makes no commitment to the expenditure of further Federal Funds.

Your message might include the following language:

If any unforeseen price deterioration calls for such action, I am directing the Secretary of Agriculture to be prepared to make desirable adjustments in price support loan rates for wheat, corn, and other feed grains.

Max and Earl Butz are reasonably certain that a veto can be sustained if this language is included.

B. Participants

The Vice President
Secretary Butz
Counsellor Hartmann
Counsellor Marsh
Max Friedersdorf

Alan Greenspan
Jim Lynn
Paul O'Neill
Jim Cannon
Bill Seidman
Don Rumsfeld

C. Press Plan

To be announced.



Ronn -

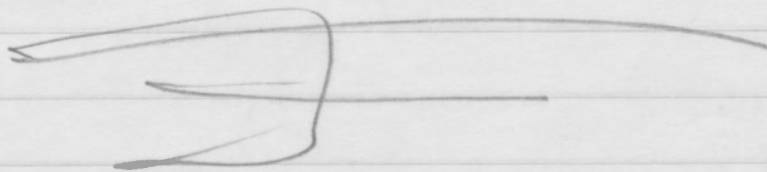
4/14/75

Dole - Don't agree w/ Butz' figures
Net cat - where Bill one
must have - \$210 up

Butz odd. outlay for loan



Ballou - Bill would encourage



Bill would like

Carter $\frac{2}{3}$ Butz budget of
good stamps

Carter "I can't sign this, but
I would sign —."

P - concentration is good
things absolutely
essential, fundamental

P - But no promise

What can be so
admirable



Have not possibly seen
how the the one

P - no objection to
Buts going up -
but I saw that
and.

RT ways 1 Phr

no entries on
Soybeans

Billie - from fence
orlyst -
Got an entry

JUNE 16, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

EXTENSION OF THE EMERGENCY LIVESTOCK CREDIT

ACT OF 1974 (S. 1236)

FACT SHEET

The President today signed into law S. 1236, which extends, with certain amendments, the Emergency Livestock Credit Act of 1974 from July 25, 1975 to December 31, 1976.

Background

The original Act currently provides guarantees for loans by private lenders made to farmers and ranchers who breed, raise, fatten or market livestock. At present, the total loans guaranteed for any borrower may not exceed \$250,000 and the aggregate of all loans guaranteed at any one time may not exceed \$2 billion.

The original Act and this extension are designed to deal with the depressed market for livestock -- particularly cattle -- and to soften the financial impact of this market collapse on the livestock industry.

Features of S. 1236

This legislation extends new loan guarantee authority under the Act from July 25, 1975 to December 31, 1976 and amends the Act to:

- broaden program eligibility.
- increase maximum guaranteed loan amounts to \$350,000 (from \$250,000).
- lengthen the maximum duration of loans to 7 years (from 3 years).
- change the loan guarantee to cover up to 90% of the principal and interest of the loan (from 80%).
- liberalize loan security requirements.
- reduce the aggregate level of Federal loan guarantees to \$1.5 billion (from \$2.0 billion).

Since this is a guarantee program with no interest rate subsidy, direct costs to the Federal Government will be limited to nominal administrative expenses and any future losses resulting from defaults of guaranteed loans.

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THE WHITE HOUSE
WASHINGTON

July 23, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON

FROM:

JIM CONNOR *JSC*

SUBJECT:

USDA Testimony on Legislation to
Regulate Meat Packers

Confirming phone call to your office this morning, the President reviewed your memorandum of July 22nd on the above subject and approved the following:

Agriculture should oppose this bill and indicate they would recommend a veto if enacted.

Please follow-up with appropriate action.

cc: Don Rumsfeld



file
Agric

32 77 52 11 11

July-Agric

THE WHITE HOUSE
WASHINGTON

DECISION

July 22, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *[Signature]*
SUBJECT: USDA Testimony on Legislation to
Regulate Meat Packers

PURPOSE

Jim Lynn has asked for a decision on whether USDA should testify tomorrow in support of, or in opposition to, a bill which would increase financial protection for livestock producers who sell to meat packers.

THE BILL

It would protect livestock producers by:

- requiring meat packers to be bonded for the payment of livestock purchased.
- authorizing the Department of Agriculture to enforce the law by seeking temporary court injunctions against noncomplying packers or issuing cease-and-desist orders against insolvent packers, and
- modifying the bankruptcy law to improve the status of claims against insolvent packers by livestock producers.



BACKGROUND

Efforts at the national level to bond meat packers have been made for at least two decades. To date, 21 States require such bonding, but only half have more than token laws. American Beef Packers recently went bankrupt leaving \$20 million of liabilities to livestock producers. A large percentage of other packers also have highly leveraged balance sheets with great financial risk.

Until this year, meat packing companies have successfully opposed national bonding legislation. However, because State legislation is becoming so stringent and diverse, the companies are now indicating no opposition to a national, State-preemptive act. Sentiment among livestock producers and their representatives in Congress is so strong that both the House and Senate have coordinated on having hearings this week within a three-day period so that witnesses can be heard in both bodies on one trip to Washington.

ARGUMENTS

Pro:

1. This national legislation would preempt some stringent and diverse State legislation.
2. It would provide some protection for livestock producers who are innocent victims of packer financial problems.
3. Livestock producers and their friends in Congress support enthusiastically.
4. Packers are indicating no opposition.

Con:

1. This authorizes a new spending program with an enforcement cost estimated by OMB to be \$800,000 annually.
2. It is contrary to your regulatory reform effort since it provides for new Federal regulation.
3. It will have some inflationary impact, since meat packing costs are predicted to rise if the legislation is enacted.
4. It gives preference to livestock producers vis-a-vis other businesses who sell (i.e., extend credit) to packers.



DEPARTMENTAL AND STAFF COMMENTS

Support: The Department of Agriculture--Strongly favors enactment of the bill. It believes the additional regulation is needed to remove the risk of serious financial loss by producers if packers fail to pay for livestock purchases.

No Objection: The Department of Commerce.

Oppose: The Department of Justice--Strongly opposes supporting this bill. All businesses face the risk of failure and have the same means of protecting themselves from debtors defaulting in their obligations. There is no evidence to justify extending preferential bonding treatment to further protect livestock producers.

Bill Seidman--Should be handled on a State basis; accordingly, national legislation is not recommended.

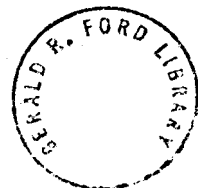
Max Friedersdorf--Vehemently opposes this bill, feels it is a budget buster.

OMB--Agriculture should oppose this bill.

DECISION

_____ Agriculture should oppose this bill and indicate they would recommend a veto if enacted (Justice, Seidman, Friedersdorf, Lynn, Cannon).

_____ Agriculture should support this bill (Butz).





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

July 21, 1975

MEMORANDUM FOR: DON RUMSFELD
FROM: JIM LANN
SUBJECT: H.R. 5493; S. 1532

Issue

The Department of Agriculture is being asked to testify in the House this Wednesday and in the Senate this Friday on a bill which would increase the financial protection of livestock producers by

- requiring meat packers across the country to be bonded for the payment of livestock purchased
- authorizing the Department of Agriculture to enforce the law by seeking temporary court injunctions against noncomplying packers or issuing cease-and-desist orders against insolvent packers, and
- modifying the bankruptcy law to improve the status of claims against insolvent packers by livestock producers.

OMB estimates Ag enforcement responsibilities would cost \$800,000 annually.

Background

Efforts at the national level to bond meat packers have been made for at least two decades. To date, twenty-one States require such bonding but only half have more than token laws. American Beef Packers recently went bankrupt leaving \$20 million of liabilities to livestock producers. Packers slaughtering over 90% of U.S. livestock have aggregate current liabilities in excess of aggregate current assets.

2.

Until this year, meat packing companies have successfully opposed national bonding legislation. This year, because State legislation is becoming so stringent and diverse, the companies are indicating no opposition to a national, state-preemptive act. Livestock producers and their representatives in the Congress are uniformly enthusiastic about the bill -- as is the Department of Agriculture. Sentiment is so strong that both the House and Senate have coordinated on having hearings within a three-day period so that witnesses can be heard in both bodies on one trip to Washington.

Relationship to the President's Program

The bill presents several serious conflicts with the President's program -- it

- authorizes a new spending program
- runs counter to the President's emphasis on deregulation of industry
- has some inflationary impact since meat packing costs will be higher
- unjustifiably prefers livestock producers in their relations with purchasers over other sellers.

Opposing the legislation may well be tantamount to falling on one's sword. Supporting this kind of legislation seriously weakens other key Administration initiatives.

Signal please.



THE WHITE HOUSE
WASHINGTON

November 19, 1975

MEMORANDUM FOR:

JIM CANNON

FROM:

PAUL LEACH

SUBJECT:

USDA Budget Meeting
With The President

I am assuming that you will have read the summary information in the first part of the budget book and thus I will limit myself to recommendations on the six issues.

I. Rural Community Development Block Grants

The block grant alternative seems to be worthy of serious consideration. Tentatively, I would recommend approval of the OMB proposal. This would generally follow the HUD community development block grant model, would decentralize decision-making and would eliminate a maze of categorical programs.

II. CCC Short-term Export Credit

I would recommend the more conservative \$450 million OMB figure. This is consistent with the tight FY 1977 budget. In addition, it is too early to know whether exports will require substantial promotional credit. If exports do need promotion, the \$450 million figure can be changed administratively.

III. Peanut Price Supports

I would recommend support of the USDA position, i.e., only sell surplus peanuts and oil at the support price. Secretary Butz has been quite successful in reducing price support programs and I would defer to his political judgment on how to induce the Hill to change the peanut program.



IV. Interest Rates on CCC Price Support Loans

I would recommend approval of the USDA position and keep CCC interest rates at the cost of Treasury borrowings rather than a higher "market" rate. The political costs of increasing rates at this time would seem to outweigh the modest (\$12 million) benefits of a higher rate. The economically justifiable increase can be better proposed for FY 1978, i.e., in January 1977.

V. REA Guaranteed Electric Loans

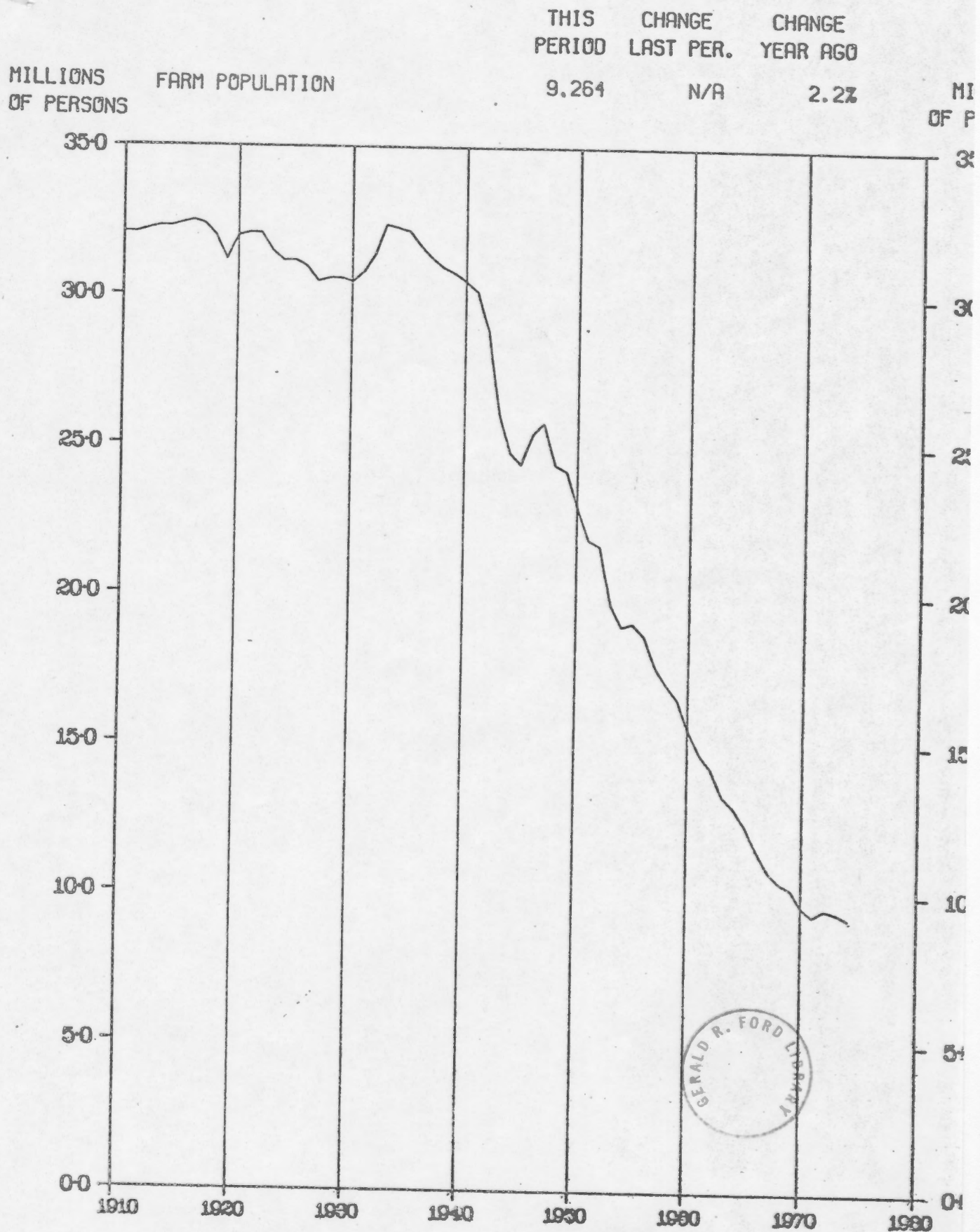
I would recommend approval of the OMB position and keep REA loan guarantees at the current \$1.3 billion annual level rather than the \$2.7 billion USDA proposed level. Since the electric power industry is recently finding it easier to finance and electric power demand is projected to grow more slowly than in the past, there is no persuasive argument to allocate more capital to the rural electric sector.

VI. Agricultural Research

I would recommend approval of the OMB proposal, i.e., a \$15 million increase rather than \$37 million. This would deemphasize marketing research and place increased emphasis on basic research.



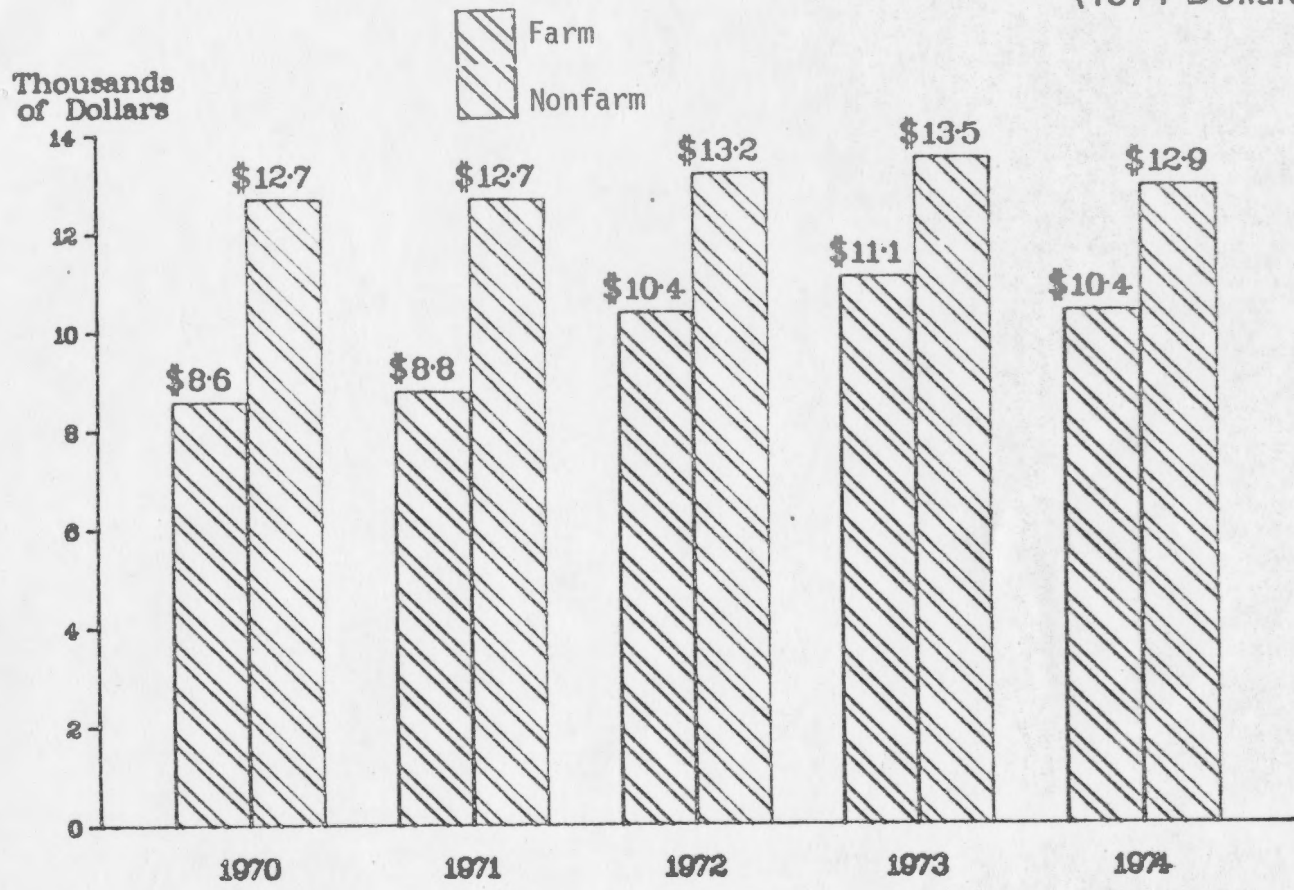
B.1.2 - Farm Population 1910-1974





Source: Bureau of the Census
12 January 1976

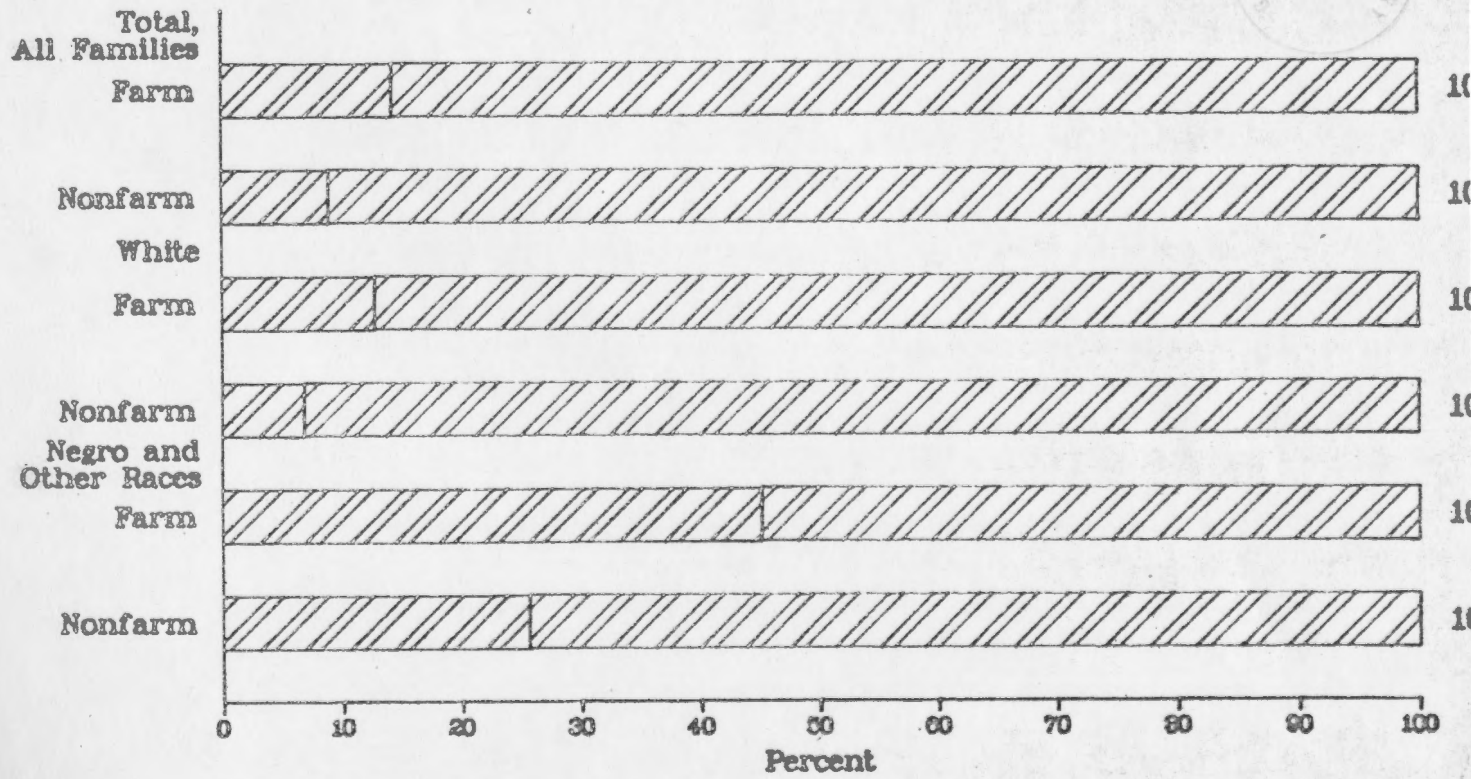
- An average of 9,264,000 persons lived on farms in rural areas of the United States in the 12-month period centered on April 1974.
- The 1974 estimate indicates a continuation of the long-term downward trend in the farm population.
- However, the average annual rate of farm population loss for the 1970 to 1974 period was 1.2 percent, compared with an annual rate of 4.8 percent in the 1960 to 1970 period.
- The percent of the United States population residing on farms has declined from 35 percent in 1910 to 9 percent in 1960 to 4 percent in 1974.





B.1.2 - Income Level of Farm and Nonfarm Families: 1974

 Below Low-Income Level
 Above Low-Income Level



- The contrast between farm residents and the nonfarm population is especially striking in regard to income.
- The median income of farm families was \$10,430 in 1974, compared with \$12,930 for nonfarm families.
- Although there is still a difference of about \$2,500 (24 percent of the farm median family income) this gap is only about 60 percent of that in 1970 as measured in constant (1974) dollars.
- Farm median family income in 1970, in terms of 1974 dollars, was about \$4,100 less than that of nonfarm families.
- Since 1970, the median income of farm families has increased by about 21 percent, while that of nonfarm families has increased about 2 percent in constant dollars.
- The proportion of farm families who are poor (below the low income level) is approximately 50 percent higher than for nonfarm families, even though the official criteria for "low income" are set somewhat lower for farm residents than for the nonfarm population.
- The proportion of Negro farm families below the low income level (45 percent) is about five times as high as the National average for all families and about four times as high as that of white farm families.



THE WHITE HOUSE

WASHINGTON

January 19, 1976

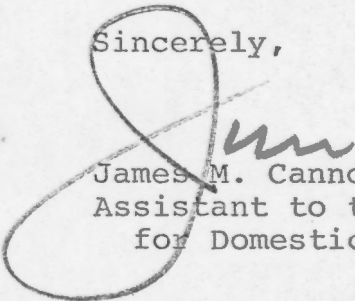
Dear Vince:

Could you ask someone to answer three questions for me.

1. If median farm income is closing the gap on median non-farm income, why does the farm population continue to go down?
2. What are the major reasons farms go out of operation?
3. To what extent do inheritance taxes bring about
 - a. Dissolution of family farms?
 - b. Dissolution of family businesses?

Many thanks. And keep in touch.

Sincerely,


James M. Cannon
Assistant to the President
for Domestic Affairs

Mr. Vincent P. Barabba, Director
Bureau of the Census
Department of Commerce
Washington, D.C. 20233



B.1.2 - Farm Population 1910-1974

MILLIONS OF PERSONS	FARM POPULATION	THIS PERIOD	CHANGE LAST PER.	CHANGE YEAR AGO	MILLIONS OF PERSONS
		9,264	N/A	2.2%	



Source: Bureau of the Census
12 January 1976

- The contrast between farm residents and the nonfarm population is especially striking in regard to income.

- The median income of farm families was \$10,430 in 1974, compared with \$12,930 for nonfarm families.

- Although there is still a difference of about \$2,500 (24 percent of the farm median family income) this gap is only about 60 percent of that in 1970 as measured in constant (1974) dollars.

- Farm median family income in 1970, in terms of 1974 dollars, was about \$4,100 less than that of nonfarm families.

- Since 1970, the median income of farm families has increased by about 21 percent, while that of nonfarm families has increased about 2 percent in constant dollars.

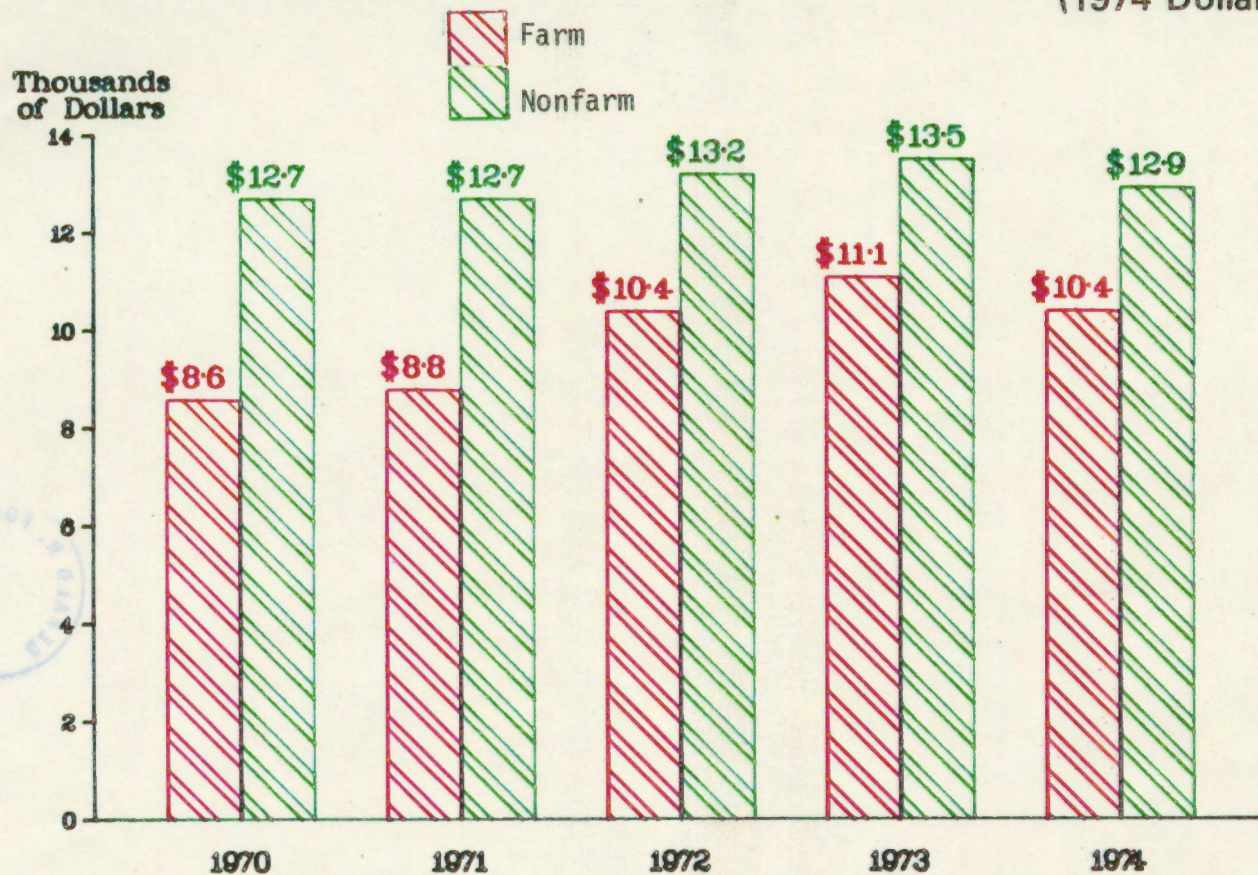
- The proportion of farm families who are poor (below the low income level) is approximately 50 percent higher than for nonfarm families, even though the official criteria for "low income" are set somewhat lower for farm residents than for the nonfarm population.

- The proportion of Negro farm families below the low income level (45 percent) is about five times as high as the National average for all families and about four times as high as that of white farm families.

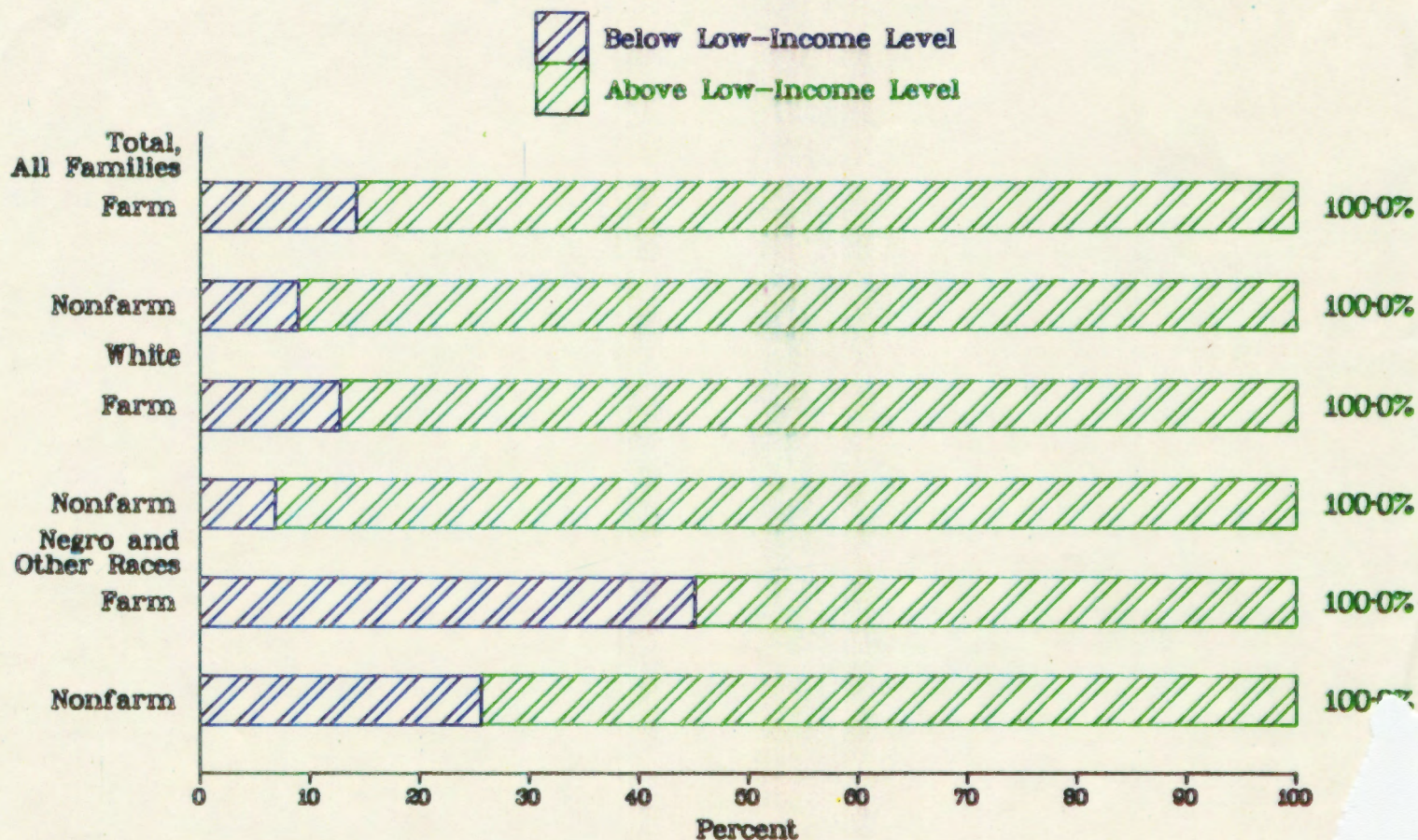
- An average of 9,264,000 persons lived on farms in rural areas of the United States in the 12-month period centered on April 1974.
- The 1974 estimate indicates a continuation of the long-term downward trend in the farm population.
- However, the average annual rate of farm population loss for the 1970 to 1974 period was 1.2 percent, compared with an annual rate of 4.8 percent in the 1960 to 1970 period.
- The percent of the United States population residing on farms has declined from 35 percent in 1910 to 9 percent in 1960 to 4 percent in 1974.



B.1.2 - Median Family Income - Farm and Nonfarm: 1970-1974 (1974 Dollars)



B.1.2 - Income Level of Farm and Nonfarm Families: 1974



Source: Bureau of the Census
12 January 1976

THE WHITE HOUSE

WASHINGTON

Last Day: January 30

January 27, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM CANNON *[Signature]*
SUBJECT: Enrolled Bill S. J. Res. 121:
Milk Price Support

The purpose of this memorandum is to obtain your decision on whether to sign or veto this bill.

A decision must be made by Friday, January 30.

The Bill

S. J. Res. 121 would make two changes in the present milk price support law: First, from enactment through March 31, 1978, the support price for milk would be at 85 percent of parity. Second, the support price would be adjusted quarterly to reflect changes in the production costs of milk farmers.

The bill is more fully discussed in the Enrolled Bill Memorandum at Tab A.

Present Support Program

Currently, the support price for milk is set administratively by the Secretary of Agriculture at from 75 to 90 percent of parity. Adjustments within this range can be made at anytime.

USDA is presently supporting milk at \$7.71 per hundred-weight ("cwt") --- 80 percent of parity as of October 1, 1975. During 1975, milk price supports were increased twice: On October 2, 1975, the support price was increased to its present level from \$7.24 per cwt. Previously, on January 3, 1975, the support price had been increased from \$6.57 to \$7.24 per cwt.



Secretary Butz has stated that he will review the dairy situation semiannually and make any price support changes he finds necessary.

Congressional Situation

This is the third attempt by Congress in fourteen months to increase milk price supports. You vetoed both the December 1974 attempt to raise price supports to 85 percent of parity and the April 1975 "farm bill", which provided for support prices at 80 percent of parity with quarterly adjustments.

Prior to passage of S. J. Res. 121, the Administration (USDA, OMB and Office of Consumer Affairs) indicated clear opposition; nevertheless, the bill passed the House by 307-111 and the Senate by a voice vote.

USDA is very pessimistic about the chance of sustaining a veto in the Senate and uncertain about the chances in the House. Max Friedersdorf concurs with this assessment.

Sign or Veto Arguments

A. Arguments in Favor of Signing S. J. Res. 121

1. This bill would please milk producers and their Congressional representatives by assuring price supports at a higher level than at present and by providing for quarterly adjustments to reflect inflation in production costs.
2. "This should be helpful in maintaining milk production to meet the needs of consumers for future periods." (House Agriculture Committee)

B. Arguments in Favor of Veto of S. J. Res. 121

1. It would be inflationary and particularly hurt low income families. USDA estimates that the higher support prices would increase consumer dairy product costs by \$1.38 billion over the next two years --- or about 3¢ per half gallon of milk at retail.



2. "It would stimulate excessive production of milk and discourage consumption, resulting in greatly increased purchases of dairy products under the milk support program and in the build up of large, costly and farm-price depressing government surpluses". (USDA)
3. Estimated government price support outlays would increase \$180 million during the 1976-1977 marketing year and \$350 million during the 1977-1978 year.
4. This would be consistent with your previous vetoes of the two related price support measures.

Recommendation

The Department of Agriculture (Butz), Jim Lynn, Bill Seidman, Max Friedersdorf, Counsel's Office (Lazarus), CEA (MacAvoy), COWPS (Moskow) and the Office of Consumer Affairs (Knauer) all recommend veto. I concur.

A proposed veto statement, cleared by Bob Orben, is at Tab B.

Decision

_____ Sign S. J. Res. 121

_____ Veto S. J. Res. 121



JANUARY 30, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE SENATE OF THE UNITED STATES:

I am withholding my approval from S. J. Res. 121, which would increase the Federal support price for milk and require mandatory quarterly adjustments, for the following reasons:

1. It would saddle taxpayers with additional spending at a time when we are trying to cut the cost of government and curb inflation.
2. It would stimulate excessive production of milk, discourage consumption, force the Federal government to increase purchases of dairy products under the milk support program and build up huge and costly surpluses.
3. It would result in unnecessarily high consumer prices.

Under this bill, government outlays would be increased by \$530 million, including \$180 million during the 1976-77 marketing year and \$350 million during the subsequent 1977-78 marketing year. In addition, consumers would be required to pay an estimated \$1.38 billion more at retail for dairy products over the next two years.

If S. J. Res. 121 became law, the support level for milk would be set at 85 percent of parity, with adjustments at the beginning of each quarter, through March 31, 1978. This would result in substantial increases in the support level over the next two marketing years without taking into account either changing economic conditions or agricultural policies.

In disapproving similar legislation last January, I said: "To further reduce the demand for milk and dairy products by the increased prices provided in this legislation would be detrimental to the dairy industry. A dairy farmer cannot be well served by Government action that prices his product out of the market." This is still the case.

As far as this Administration is concerned, future changes in the price support level will be based, as in the past, on a thorough review of the entire dairy situation. Major economic factors, including the level of milk production, recent and expected farm prices for milk, the farm cost of producing milk, consumer prices and government price support purchases and budget outlays, will be considered. Elimination of this thorough review by mandating an inflexible support price would be inadvisable.



As you know, present legislation provides the Secretary of Agriculture with sufficient flexibility to increase the level of milk price supports between 75 and 90 percent of parity whenever the conditions indicate that an increase is necessary and advisable. The two increases announced by the Secretary of Agriculture last year--one in January and another in October--should make it clear that this Administration intends to provide the price assurance dairy farmers need.

In this regard, to ensure adequate milk price support levels, I have directed the Secretary of Agriculture to review support prices quarterly, starting April 1. If it appears necessary and advisable to make price support adjustments to ensure the supply of milk, the Secretary of Agriculture will do so.

In vetoing S. J. Res. 121, I urge the Congress to join me in this effort to hold down Federal spending, milk surpluses and consumer prices.

GERALD R. FORD

THE WHITE HOUSE,
January 30, 1976

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**UNITED STATES DEPARTMENT OF COMMERCE
Bureau of the Census**

Washington, D.C. 20233

REQUEST

OFFICE OF THE DIRECTOR

FEB 2 1976

Honorable James M. Cannon
Assistant to the President
for Domestic Affairs
The White House
Washington, D.C. 20500

Dear Jim:

Enclosed is our effort to answer the farm questions which you asked in your note of January 19.

What I get out of the answers is that it is a devilishly complex world filled with many options that people can exercise in pursuit of their own best interests as they perceive them. These answers inevitably give rise to more questions. To what extent do Government policy and laws assist people in pursuing their best interests, and do their best interests in the context of Government policy and legal conditions conform with the overall goals of the American economy and society?

Sincerely,

VINCENT P. BARABBA
Director
Bureau of the Census

Enclosure



Question 1. If median farm income is closing the gap on median non-farm income, why does the farm population continue to go down?

Answer: The agricultural economy is vast, complex, and diverse embodying production units ranging from marginal and part-time operations to highly efficient and profitable ones. On balance, the reduction of marginal farm units and the movement of the corresponding farm population out of farming to nonfarming activities is not a negative factor for the general economy. All other things being equal, the removal of marginal farm units from the farm universe will increase median farm income if they are removed at a faster rate than other farm units. Increasing farm prosperity, of course, also increases median farm income.

Because of the relatively small farm universe compared with the nonfarm universe, the negative income impact arising from the movement of the farm population to non-farm pursuits on nonfarm median income tends to be minimal.

Even where families are associated with profitable farm units, many leave (being pushed or pulled out of) farming or the farm for many different reasons. Among them one can list alternative and more attractive opportunities in other occupations and businesses, dissatisfaction with farm life, family estrangement, and the allure of urban areas. The farm population is also declining because of the trend for farmers to move off their farms into town and commute to the farm, their place of work. This phenomenon affects the farm population which is based on a residence and activity concept but not the occupation of these persons, i.e. farmers.

Question 2. What are the major reasons farms go out of operation?

Answer: Farm units go out of operation for both negative and positive reasons. There are many reasons for unprofitability: Poor land, poor management, inadequate size, undercapitalization, inadequate lines of credit, declining demand, and prices. In these types of circumstances costs frequently exceed revenues. Not very far down the road are the tax collector and private creditors who push the unit into foreclosure or forced sale. Property may stand idle and held in inventory for want of a buyer, sold to another owner who may or may not farm the land, or who may incorporate the land parcel into a larger operating farm.

Farm units go out of operation even when they are functioning efficiently and profitably. Farm owners sell their farms because of personal circumstances, economic conditions, and changes in land utilization. Among personal reasons are such elements as retirement plans, no heirs, desire to be with family members in another locale, etc. Along with these reasons it also may be a profitable time to sell. Farm land in certain geographic areas is in heavy demand because advancing technology, characterized by increased investments in facilities, machinery, and scientific applications, enables a farmer to handle larger amounts of acreage than previously and thus improve his profit position in line with price/cost factors.

Sales of farms for these personal and economic reasons may or may not result in their disappearance as operating entities. Farms may continue to operate as identifiable entities under different ownership or they may be incorporated into larger farms.

Land utilization for purposes other than farming serves to reduce the number of farms. Rising land values near expanding urban centers is a strong inducement to sell off farm land, if not always the entire farm unit at one fell swoop. The power of eminent domain reserved to Government also makes inroads on the number of farms, sometimes depreciating their values, at other times increasing them.

Question 3. To what extent do inheritance taxes bring about

- a. Dissolution of family farms?
- b. Dissolution of family businesses?

Answer: This is a particularly involved question. It is difficult to accurately assess the role death taxes plays in reducing the number of family farms and businesses. Sales of property sometimes take place in anticipation of death in an effort to disguise these transactions and thus reduce the death tax burden for the estates. Some of the recent growth in incorporated farming units arises because of legal convenience and estate planning rather than a change in the nature of the family farm, its decisionmaking procedures, and daily operations. According to a telephone conversation with Mr. Fred Woods of the United States Department of Agriculture, a highly recommended professional who spent many years working on agricultural tax policy before transferring to another assignment, the USDA conducts a survey of farm real estate. Information is collected in

THE WHITE HOUSE
WASHINGTON

Fax -

Governor

Bennett is

writing me

about this



Jim

THE WHITE HOUSE

WASHINGTON

February 16, 1976

JMC:

You wanted to call Governor
Bennett today re: White
Paper on Grain.

p

THE WHITE HOUSE

WASHINGTON

February 13, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

PAUL LEACH *Paul*

SUBJECT:

Secretary Butz's Memo
to Governor Bennett

Secretary Butz's memorandum to Governor Bennett which was allegedly held up has now been sent to the Governor as of February 6, 1976.

*Call to
Gov
Bennett
Monday
2/16/76*



THE WHITE HOUSE
WASHINGTON

January 21, 1976

MEMORANDUM FOR : KATHY MEEHAN
FROM : PAT MCKEE
SUBJECT : WHITE PAPER ON GRAIN

Secretary Butz is working on a white paper on grain for Governor Bennett. Mr. Cannon has to report back to the President when this is accomplished. Would you please enter this in the computer for follow up January 26th? JMC assigned this to Steve McConahey.

Many thanks.

Attachment



THE WHITE HOUSE

WASHINGTON

January 20, 1976

MEMORANDUM FOR:

STEVE McCONAHEY

FROM:

JIM CANNON



Governor Bennett of Kansas told the President today that the Secretary of Agriculture had promised Jim Lynn a white paper on grain.

I called Secretary Butz about it. He is working on the paper and will get it to Governor Bennett.

Will you follow up on this in a few days to make sure that it was done, and then let me know so that I can report back to the President?

Many thanks.



THE WHITE HOUSE
WASHINGTON1976 JAN 30 PM 7 58
Pending

January 30, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

STEVE McCONAHEY *SCM*

SUBJECT:

Secretary Butz's Letter
to Governor Bennett

I talked with Paul Leach today about status of the Butz letter to Governor Bennett. Paul indicated that Agriculture's staff is putting together a paper for the Secretary's review and signature within the next couple of weeks. There is no specific date that I can provide at this time. I will keep you posted.

Attachment



Morton preferred alternative and would not budge. I sought support from Lynn and Greenspan. They both called Cheney and expressed strong views for our position. Will advise.

THE WHITE HOUSE
WASHINGTON

March 3, 1976

Stall
but Art
File

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM F. GOROG

SUBJECT: Agricultural Policy Making Reorganization

I urge that you adopt the EPB proposed recommendation for agricultural policy making reorganization designating Secretary Butz as Chairman of the EPB/NSC Food Committee.

Such action should clearly eliminate the perception that Secretary Butz is not in the leadership role in the development of agricultural policy without establishment of another independent committee to accomplish this objective.

The alternative of establishment of an independent committee is a step backward in our coordination process. The present EPB/NSC coordination route has become an established method of obtaining rapid coordination in such matters with principals regularly in attendance. Our recent grain decisions established the value of these procedures.

Establishment of a new Committee, without staff support, would have the effect of disabling the coordination process which has taken a great deal of time to "shake down." The original objective of our proposal was to remove a "cosmetic" problem and clearly show the public that we were not downgrading the position of the Secretary of Agriculture. In our attempt to solve this problem we should not disrupt our established procedures.

I have coordinated this position directly with Bill Seidman and Bill Simon. They concur in my recommendations, and Bill Simon requested that I convey to you his strong feelings that the second alternative would be very destructive to the present smooth working EPB/NSC relationship and coordination procedures.

Date: March ³/₂, 1976

Time:

FOR ACTION:

cc (to be filled in):

BRENT SCOWCROFT

BILL SEIDMAN (for EPB)

JACK MARSH

ROGERS MORTON

FROM THE STAFF SECRETARY

DUE: Date:

Wednesday, March ³/₄

Time:

4 PM or earlier

SUBJECT:

Memorandum of 2/27/76 regarding Agricultural
Policy Making Reorganization

ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendation☐ Prepare Agenda and Brief☐ Draft Reply☐ For Your Comments☐ Draft Remarks

REMARKS:

We must have by 4 o'clock today the option which you prefer on the attached subject - also any comments which you would like to make.

NSC is requested to obtain State comments as fast as possible.

EPB (Bill Gorog) you are requested to obtain from Treasury fast answers by four o'clock as well.



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor
James E. Connor
For the President

THE WHITE HOUSE

WASHINGTON

February 27, 1976

SUBJECT: Agricultural Policy
 Making Reorganization

Current Situation

Four principal entities have been created by your Administration to coordinate and review agricultural policy:

1. The Economic Policy Board was created on September 30, 1974, to advise you on the formulation, coordination, and implementation of all economic policy --- including agricultural policy.
2. The Food Deputies Group was created to monitor agricultural developments and prepare materials on selected issues for consideration by the Economic Policy Board. It reports biweekly to the EPB Executive Committee. This group is chaired by CEA (Paul MacAvoy).
3. The International Food Review Group (IFRG) was established on November 12, 1974, to coordinate the follow-up to the World Food Conference. The IFRG working group is chaired by State (Joe Greenwald).
4. The EPB/NSC Food Committee was created by you on September 9, 1975, for the purpose of developing negotiating strategy for and monitoring the negotiations on grain sales to the Soviet Union. This Committee is chaired jointly by Treasury and State (Bill Simon and Henry Kissinger).



The Problem

The agricultural community is disturbed over the fact --- or the perception --- that USDA (i.e., Secretary Butz) is not in the leadership role in the development of agricultural policy.

EPB Proposed Solution

In a February 6 memorandum to the Executive Committee of EPB, Bill Seidman outlined a recommendation for agricultural policy making reorganization.

According to this proposal, the Economic Policy Board will continue to be responsible for the overall coordination of agricultural policy issues.

The EPB/NSC Food Committee will be modified as follows:

1. The Department of Agriculture will chair this Committee.
2. Membership on the Committee will be at the Assistant Secretary level or above.
3. The Committee will be renamed the EPB/NSC Agricultural Policy Committee.
4. The Committee will report to the Economic Policy Board Executive Committee periodically on policy issues with options and recommendations. The scope of the Committee will include both domestic and international issues and will include the international policy issues that previously were the responsibility of the International Food Review Group.

The Secretary of Agriculture and the Assistant to the President for National Security Affairs will continue to be invited to attend EPB Executive Committee meetings when agricultural policy issues are considered.

The Food Deputies Group will, as at present, be responsible for staffing and monitoring food related issues and reporting to the EPB Executive Committee on a biweekly basis.

Final recommendations to you on international agricultural issues will be submitted in a joint memorandum from the EPB and NSC.



Another Alternative

In order to achieve the full symbolic value from an agricultural policy making reorganization, it might be preferable to make the following change:

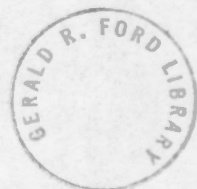
1. Establish an "Agricultural Policy Committee" which will submit final recommendations directly to you.
2. The Committee will include:
 - Secretary of Agriculture
 - Secretary of State
 - Secretary of the Treasury
 - Secretary of Commerce
 - Assistant to the President for Economic Affairs
 - Assistant to the President for Domestic Affairs
 - Chairman of the Council of Economic Advisers
 - Assistant to the President for National Security Affairs
 - Director of the Office of Management and Budget
 - Special Assistant to the President for Consumer Affairs
3. The Secretary of Agriculture will chair the Committee.
4. The scope of the Committee will include both domestic and international issues. It will advise you on the formulation, coordination and implementation of all agricultural policy.
5. The International Food Review Group and the EPB/ESC Food Committee will be disbanded and the Agricultural Policy Committee will assume all agricultural policy responsibilities of the EPB.
6. The Food Deputies Group will become the "Agricultural Policy Working Group" of the Agricultural Policy Committee.

Conclusion

The EPB proposal has the advantage of keeping agricultural policy within the current economic and international policy making frameworks. However, this solution probably would not be perceived as a full return of agricultural policy leadership to USDA and Secretary Butz.



The other alternative outlined above is designed to achieve maximum political and symbolic effect by putting Secretary Butz and USDA in the leadership role of a committee with direct access to the Oval office. However, this proposed change --- if adopted --- will remove domestic and international agricultural policy issues from the EPB and NSC frameworks and, as a consequence, may arouse bureaucratic resistance.



March 5, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

AGRICULTURAL POLICY-MAKING REORGANIZATION

The President has announced a reorganization of the Administration's agricultural policy-making machinery.

A new Agricultural Policy Committee is being formed with Secretary Butz as Chairman. The Committee will include:

- . Secretary of Agriculture -- Chairman
- . Secretary of State
- . Secretary of the Treasury
- . Secretary of Commerce
- . Assistant to the President for Economic Affairs
- . Assistant to the President for Domestic Affairs
- . Chairman of the Council of Economic Advisers
- . Assistant to the President for National Security Affairs
- . Director of the Office of Management and Budget
- . Special Assistant to the President for Consumer Affairs
- . Executive Director of the Council on International Economic Policy

This new Committee is being formed to consolidate agricultural policy making into one group which will report directly to the President and will advise him on the formulation, coordination and implementation of all agricultural policy. The scope of the Committee will include both domestic and international issues.

The new Committee replaces the International Food Review Group, chaired by the Department of State, and the EPB/NSC Food Committee, co-chaired by the Departments of State and the Treasury.

The EPB/NSC Food Committee was created on September 9, 1975, to develop negotiating strategy for American grain sales to the Soviet Union and to monitor those negotiations. This Committee has been chaired jointly by the Secretary of State and the Secretary of the Treasury. Other members include:

- . Secretary of Agriculture
- . Secretary of Labor
- . Secretary of Commerce
- . Director of the Office of Management and Budget
- . Chairman of the Council of Economic Advisers
- . Executive Director of the Council on International Economic Policy
- . Assistant to the President for Economic Affairs
- . Assistant to the President for National Security Affairs

more



The International Food Review Group was established on November 12, 1974, to coordinate the follow-up to the World Food Conference. The IFRG has been chaired by the Secretary of State. Other members include:

- . Secretary of the Treasury
- . Secretary of Agriculture
- . Deputy Secretary of State
- . Assistant to the President for Economic Affairs
- . Chairman of the Council of Economic Advisers
- . Director of the Office of Management and Budget
- . Executive Director of the Council on International Economic Policy
- . Special Representative for Trade Negotiations
- . Assistant to the President for National Security Affairs

The Food Deputies Group, which currently provides staff level assistance to the Economic Policy Board in agricultural policy matters, will become the Agricultural Policy Working Group. This Working Group will provide the Agricultural Policy Committee with staff assistance by monitoring agricultural developments and preparing issue papers and other analyses.

The Food Deputies Group was created to monitor agricultural developments and to prepare materials on selected issues being considered by the Economic Policy Board. This group is chaired by a Member of the Council of Economic Advisers and includes representatives of the:

- . Department of Agriculture
- . Department of the Treasury
- . Department of State
- . Department of Commerce
- . Office of Management and Budget
- . Council on International Economic Policy
- . Domestic Council
- . National Security Council
- . Special Representative for Trade Negotiations
- . Council on Wage and Price Stability

#



OFFICE OF THE VICE PRESIDENT
WASHINGTON

March 4, 1976

*Fast
File*

MEMORANDUM FOR THE VICE PRESIDENT

FROM:

JACK VENEMAN *(Signature)*

SUBJECT:

Dr. John Hanna's Food Reserve Plan

I have been looking into Dr. Hanna's proposal to establish a 60 million ton international reserve of food stocks. In his conversation with you, I understand Dr. Hanna proposed such a reserve to support the world market through two successive crop failures. He suggested that we would require the developed nations (USSR, Japan, United Kingdom, West Germany, etc.) to store 30 million tons. The other 30 million tons would be held in reserve by farmers and the private trade in the United States. This would cover any potential United States shortfall and the requirements of the lesser developed countries. Dr. Hanna proposed that the government pay the farmers and/or private trade for the cost of storage which is estimated at \$5.50 per ton per year. Whether the government would purchase the reserves or provide for a separate loan was not made clear.

During the past week, I have had conversations or meetings with the following persons:

Dr. John Hanna, International World Food Council, Rome
Dr. Donald King, Department of State
Dr. Dale Hathaway, Director, International Food Policy Institute



Mr. Richard Lyng, former Assistant Secretary of Agriculture and currently President of the American Meat Institute

Dr. Garry Seevers, agricultural economist, former member of the Council of Economic Advisors and currently member, Commodity Futures Trading Commission

Dr. Donald Paarlberg, Director, Agriculture Economics, Department of Agriculture

From these discussions, I have learned that there is a running controversy going on between the Department of Agriculture, the State Department and the World Food Council.

The USDA and major farm organizations appear to be totally opposed to the establishment of any stockpiles, either foreign or domestic, on the premise that they would depress the United States prices and market. Rather than have the developed nations establish reserves, Earl Butz would have the United States promise that it will deliver on their needs.

Farmers are living with the memories of the 1950's and late 1960's when grain production exceeded both domestic and foreign demand. The grain held in United States bins went into the market when the demand increased which resulted in no increase in prices to the farmers. Butz argues that American agriculture is now better off and prices are higher since we eliminated the reserves. The World Food Council argues that without a reserve policy, you pit the United States consumer against foreign consumers and the lesser developed countries are left to suffer. They pointed out that in the lesser developed countries as much as 30 percent of the Cost of Living Index goes for food. Fluctuating grain prices can totally disrupt their economy.



There appears to be two ways of establishing a United States reserve. The government purchases and holds the stocks, or a government support loan program is established whereby the farmers and private trade would hold the reserves. Except for the USDA, there appears to be a consensus that the United States has a responsibility to provide food security for the lesser developed countries. The United States controls food in the world market which is the single most vital item to these nations.

During the 1974 World Food Conference, a proposal was developed which would have placed in reserve 10-15 million tons of grain which would have been sufficient to guard against shortfalls in the lesser developed countries. This approach was opposed by both the USDA, on the basis that it got us into stockpiling, and by the Department of State who argued it did not go far enough.

In my discussion with Dr. King of the State Department, he felt that the key to solving the world situation was to increase productivity, particularly in the Middle East and Latin America. This is a longer range approach and is consistent with the concept expressed in George Wood's memorandum.

In my conversation with Don Paarlberg of the Department of Agriculture, he indicated that the 60 million ton reserve program is not acceptable to other nations. The State Department has tried on various occasions to promote the idea and it was most recently shot down in London six to eight weeks ago. Other export countries argue that the United States has carried the reserves in the past and, if a surplus develops, they will reinstate the program. They have also implied that if they are required to establish reserves in their countries, they would extract a price in Geneva through higher tariffs on other commodities, etc.



Paarlberg feels that the trade would carry some additional reserves with some type of inducement, such as Federal payment of storage costs as proposed by Dr. Hanna. He also felt that some form of low interest rate loan programs would be necessary to entice the trade.

Butz is adamantly opposed to the United States government holding title to any grain. However, if the title is held by the trade and the farmers, it is difficult to find a lever which would compel them to hold or dispose of their commodities.

Apparently the issue of world food reserves has been going on for a good many years. Thirty years ago, Sir John Boyd Orr of the Food and Agricultural Organization, called for the establishment of a world food bank. In the 1950's, a program of buffer stocks was proposed. In all of these cases it was impossible to get sufficient agreement among the various nations to get the program off the ground.

Some of the issues that must be dealt with if we propose a world reserve program include:

1. Trigger points for acquisitions and release of reserve.
2. How to apportion stocks among the countries:
 - a) what level of stocks to guarantee a supply to the poorer nations;
 - b) what level of stocks for feed grain use;
 - c) what level or stocks for potential United States shortfall.
3. Who would hold title to the reserves.



THE WHITE HOUSE

WASHINGTON

March 11, 1976

File

MEMORANDUM FOR:

Secretary of State
Secretary of the Treasury
Secretary of Agriculture
Secretary of Commerce
Special Representative
for Trade Negotiations
Chairman of the Council of
Economic Advisers
Director of the Office of Management
and Budget
✓ Assistant to the President for
Domestic Affairs
Assistant to the President for
Economic Affairs
Assistant to the President for
National Security Affairs
Special Assistant to the President
for Consumer Affairs
Acting Executive Director of the Council
on International Economic Policy

SUBJECT:

Establishment of Agricultural
Policy Committee

This memorandum is to advise you of a recent agricultural policy making reorganization within my Administration.

I am creating a new Agricultural Policy Committee. Each of you is being designated as a member of this Committee, with Secretary of Agriculture Earl Butz serving as Chairman.

This new Committee consolidates agricultural policy making into one group, which will advise me on the formulation, coordination and implementation of all food and agricultural policy. The scope of the Committee includes both domestic and international food and agricultural issues.

As you know, I am deeply interested in the many food and agricultural policy issues which face our Nation and the world.

I view this new Committee as the appropriate mechanism for dealing with these issues. It is my hope that your active participation in this Committee and the full support of your departments and agencies will lead to the success of this important new Committee in resolving the many significant issues of food and agricultural policy.

Gerald R. Ford





DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

April 6, 1976

SUBJECT: Agricultural Policy Working Group

TO: Members of the Agricultural Policy
Committee (Distribution List Attached)

FROM: Earl L. Butz, Secretary

As a follow up to the first meeting of the Agricultural Policy Committee last Thursday, we now want to organize the Agricultural Policy Working Group. The Working Group will provide staff assistance and will be co-chaired by the Executive Secretaries of the Agricultural Policy Committee:

*Richard E. Bell, Assistant Secretary of
Agriculture for International Affairs
and Commodity Programs (the Executive
Secretary for Farm Policy and International
Trade)

*Don Paarlberg, Director of Agricultural
Economics (the Executive Secretary for
Economics and Economic Development)

Each
Membership of the Working Group will be at the Assistant Secretary level. Please notify Assistant Secretary Bell's office of the names of your representative and alternate.

We anticipate that the Working Group will meet for the first time next week.

Earl L. Butz

Attachment



Distribution List

1. Henry A. Kissinger
Secretary of State
2. William E. Simon
Secretary of Treasury
3. Elliot L. Richardson
Secretary of Commerce
4. L. William Seidman
Assistant to the President for
Economic Affairs
5. James M. Cannon
Assistant to the President for
Domestic Affairs
6. Alan Greenspan
Council of Economic Advisers
7. Lt. Gen. Brent Scowcroft, USAF
Assistant to the President for
National Security Affairs
8. James T. Lynn
Office of Management and Budget
9. Frederick B. Dent
Special Representative for Trade
Negotiations
10. J. M. Dunn
Executive Director of the Council
on International Economic Policy
11. Virginia H. Knauer
Special Assistant to the President for
Consumer Affairs

